



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: April 29, 1997
TO: Blanca Bayo, Director of Records and Reporting
FROM: Bob Casey, Regulatory Analyst, Water and Wastewater Division *me*
RE: Docket No. 960975-WS, Application for a Staff Assisted Rate Case by Useppa Island Utility, Inc. in Lee County

Please place a copy of the attached letter from Useppa Island Utility, Inc., regarding utility service to vacant sites, in the above docket file. Thank You.

cc: Division of Water and Wastewater (Hill, Bethea, Davis)
Division of Legal Services (Vaccaro)

- ACK _____
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April 24, 1997

Florida Public Service Commission
Division of Water and Wastewater

Mr. Robert J. Casey, Regulatory Analyst
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Reference: Utility Service to vacant Sites; Useppa Island, Florida

Dear Mr. Casey:

In response to your request for the rationale for collecting revenue from 16 undeveloped sites that pay minimum demand fees for water and wastewater services but have not yet built a home. Please keep in mind that the Deed Restrictions relating to all sites on Useppa Island require that all sites be built on or before December, 1985.

Several years ago the utility incurred much additional debt to expand the water and wastewater treatment plants including collection and distribution systems. This decision was made primarily because of the limited number of sites on Useppa Island. The water main and wastewater collection system were expanded to service these remaining few sites as a part of an overall plan to provide the maximum available utility facilities at the lowest possible cost to the customer. The thought being that the cost would be much higher at a later date.

The minimum costs include the fixed cost of providing utility service such as return on investment, personal property and real estate taxes, interest on debt and other fixed costs of providing utility service to the entire island or all sites. The monthly demand fee charge could be described as a service availability charge. Service is available at any time to all site owners without increasing the rates of the other customers. This only seems fair that the remaining vacant site owners should pay their fair share for the privilege of connecting to the water and wastewater systems whenever they desire. Additionally, the presence of the utility system actually enhances the value of the site owners' investment. Present day environmental regulations would likely limit utility service to these sites to a central system since septic tanks would be very difficult to get approved on the island.

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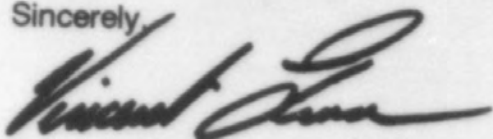
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The vacant site owners are getting the benefit of central water and wastewater service without having to pay capacity or connection fees. The circumstances on Useppa Island are quite unique and should not be looked at in the same manner as you would a large metropolitan area. The present method of payment for service availability is the least cost to all customers owning property on a very small island in the middle of Charlotte Harbor.

I truly hope you are able to agree with our rationale. If you should have questions, please contact me directly.

I will look forward to hearing from you at your earliest convenience.

Sincerely,



Vincent Formosa
Vice President & General Manager

VF:jjp